

THE  
BUSINESS  
OF  
PLATFORMS

Strategy  
in the Age of  
Digital Competition,  
Innovation, and Power

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**TABLE 1-1: MEDIAN VALUES FOR FORBES GLOBAL 2000, INDUSTRY CONTROL SAMPLE, AND PLATFORMS, 1995-2015**

VARIABLE	FORBES GLOBAL 2000	INDUSTRY CONTROL SAMPLE (MINUS THE 43 PLATFORMS)	INNOVATION & TRANSACTION PLATFORMS	INNOVATION PLATFORMS	TRANSACTION PLATFORMS
NUMBER OF FIRMS	1,939	100	43	18	25
SALES (MILLION\$)	\$5,586	\$4,845	\$4,335	\$10,118	\$2,119
EMPLOYEES	18,900	19,000	9,872***	26,600	6,349
OPERATING PROFIT %	13%	12%	21%***	21%	21%
MARKET VALUE (MILLION\$)	\$6,876	\$8,243	\$21,726***	\$37,901	\$13,277
MKT VALUE-SALES MULTIPLE	1.39	1.94	5.35***	4.19	7.07
R&D/SALES	4%	9%	13%***	13%	11%
S&M + G&A/ SALES	16%	17%	24%***	22%	33%
SALES GROWTH	8%	9%	18%***	13%	29%
MARKET VALUE GROWTH	10%	8%	14%***	12%	21%
OBSERVATIONS	5,121	1,018	374	239	135

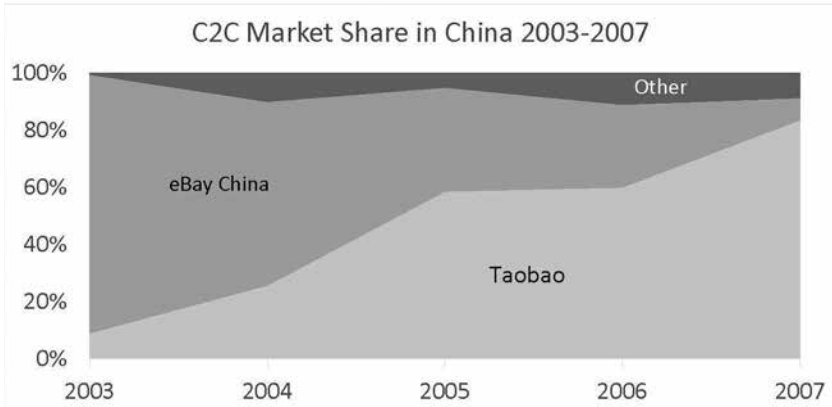
\*\*\* =  $p < 0.001$  for Industry Control Sample vs. Innovation & Transaction Platforms comparison using two-sample Wilcoxon rank-sum (Mann-Whitney) test.

Mkt Value-Sales Multiple = ratio of market value compared to prior year sales.

S&M + G&A/Sales = Sales and Marketing Expenses + General and Administrative Expenses divided by Sales.

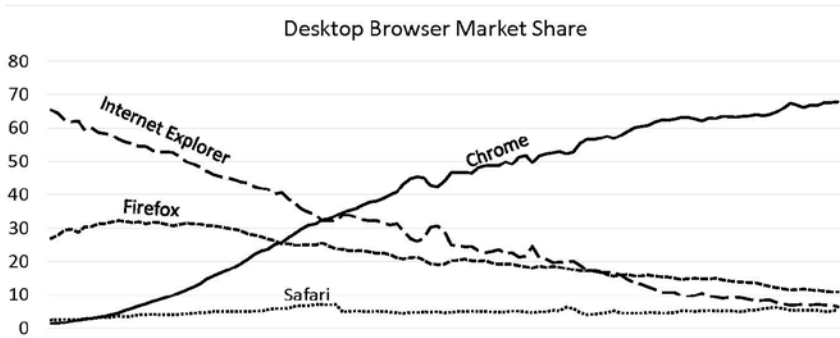
Growth numbers refer to prior year data.

Observations refer to the number of years of data for each firm, which depended on when the companies went public. We had on average 13 years of data for the 18 innovation platforms and 5 years of data for the 25 transaction platforms.



**FIGURE 4-1: CHINA'S ONLINE CONSUMER-TO-CONSUMER MARKET SHARES, 2003-2007**

Source: Compiled from iResearch data, various years, [http://www.iresearchchina.com/content/details8\\_19183.html](http://www.iresearchchina.com/content/details8_19183.html), accessed August 1, 2018.



**FIGURE 4-2: DESKTOP BROWSER MARKET SHARE, MEASURED BY TOTAL PAGE VIEWS, 2008-2016**

Constructed from data in StatCounter Global Stats, <http://gs.statcounter.com/>, accessed April 19, 2016.

**TABLE 7-1: SUMMARY OF CORE PRINCIPLES BY CHAPTER**

<b>CHAPTER 2 WINNER TAKE ALL OR MOST</b>	<b>CHAPTER 3 STRATEGY AND BUSINESS MODELS</b>	<b>CHAPTER 4 COMMON MISTAKES</b>	<b>CHAPTER 5 OLD DOGS AND NEW TRICKS</b>	<b>CHAPTER 6 DOUBLE- EDGED SWORDS</b>
Strong network effects	Choose the sides of your platform	Mispricing one side of the platform	Belong to a competing platform	Don't be a bully
Limited multi-homing	Solve chicken-or-egg problems	Failing to develop trust	Buy a platform	Balance openness with trust
Differentiation and niche competition	Design your business model	Dismissing the competition	Build a platform yourself	Not everyone should be a contractor
Barriers to entry	Enforce ecosystem rules	Missing the window		Self-regulate

# DATA APPENDIX

## DATA APPENDIX

**APPENDIX TABLE 1-1: PLATFORM COMPANIES IN THE DATA ANALYSIS, 1995–2015**

18 INNOVATION PLATFORMS	COUNTRY	INDUSTRY
Qihoo 360	China	Internet software & services
SAP	Europe	Application software
Nintendo	Japan	Home entertainment software
Sony	Japan	Consumer electronics
ARM	U.K.	Semiconductors
Kakao	S. Korea	Internet software & services
Apple ( <b>Hybrid</b> )	U.S.A.	Hardware, storage, peripherals
Cisco	U.S.A.	Communications equipment
IBM	U.S.A.	IT consulting & other services
Intel	U.S.A.	Semiconductors
Microsoft ( <b>Hybrid</b> )	U.S.A.	Systems software
Nvidia	U.S.A.	Semiconductors
Oracle	U.S.A.	Systems software
Qualcomm	U.S.A.	Semiconductors
Red Hat	U.S.A.	Systems software
Salesforce ( <b>Hybrid</b> )	U.S.A.	Application software
VMware	U.S.A.	Systems software
Workday	U.S.A.	Application software



25 TRANSACTION PLATFORMS	COUNTRY	INDUSTRY
Alibaba <b>(Hybrid)</b>	China	Internet software & services
Baidu	China	Internet software & services
JD.com	China	Internet retail
Tencent <b>(Hybrid)</b>	China	Internet software & services
NetEase	China	Internet software & services
Rakuten	Japan	Internet retail
Yahoo Japan	Japan	Internet software & services
Naver	S. Korea	Internet software & services
Mail.ru Group	Russia	Internet software & services
Yandex N.V.	Russia	Internet software & services
Amazon <b>(Hybrid)</b>	U.S.A.	Internet retail
Expedia	U.S.A.	Internet retail
Facebook <b>(Hybrid)</b>	U.S.A.	Internet software & services
Google <b>(Hybrid)</b>	U.S.A.	Internet software & services
Groupon	U.S.A.	Internet retail
LendingTree	U.S.A.	Thrifths & mortgage finance
LinkedIn <b>(Hybrid)</b>	U.S.A.	Internet software & services
PayPal	U.S.A.	Data processing & outsourced services
Priceline	U.S.A.	Internet retail
TripAdvisor	U.S.A.	Internet retail
Twitter <b>(Hybrid)</b>	U.S.A.	Internet software & services
Yahoo	U.S.A.	Internet software & services
Yelp	U.S.A.	Internet software & services
Zillow	U.S.A.	Internet software & services
eBay	U.S.A.	Internet software & services

**DATA APPENDIX**

**APPENDIX TABLE 4-1: FAILED PLATFORMS: OVERALL DURATION**

Average: 4.9 years; median: 3 years. Total Number of Firms: 209

Duration by category

CATEGORY	AVERAGE (YRS.)	MEDIAN (YRS.)	NO. OF FIRMS	TYPE
Social media/networks/ online communities	6.4	5	26	Mixed (T, H)
Mobile OS	10.2	10	5	Innovation
ISP/web portal/search engines	9.5	9	21	Mixed (T, H)
Information/content sites/news aggregators	5.6	4	7	Transaction
Media streaming/online broadcasting	6	6	4	Mixed (T, H)
Ride sharing (air and car)	3.7	2	12	Transaction
Ride sharing (excluding air)	4.2	2	9	Transaction
Car sharing	3.1	3	7	Transaction
On-demand economy (delivery, services, etc.)	2.9	2	29	Transaction
Online marketplaces	3.8	3	16	Transaction
B2B industry marketplaces	2.2	2	41	Transaction
Online marketing/ advertising platforms	6.1	5	9	Transaction
Career sites	6	4.5	4	Transaction
Web browsers	2.9	3	14	Innovation
Other	6.5	4	14	Mixed (T, H, I)

**APPENDIX TABLE 4-2: DURATION BY FAILED PLATFORM TYPE**

TYPE	AVERAGE	MEDIAN	NO. OF FIRMS
Transaction	4.5	3	174
Hybrid	7.4	6	14
Innovation	5.0	4	21
Stand-alone	3.7	2	116
Acquired	7.4	6	49
Part of larger company/ consortium	4.6	2	44